

Message Text

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ACTION EB-11

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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 5875

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E. O. 11652: N/A

TAGS: ETRN BF

SUBJ: CIVAIR - FOREIGN GOVERNMENT SUBSIDIES TO FOREIGN AIRLINES

REF: (A) STATE 79306; (B) STATE 162608

1. (PARAGRAPHS 1 AND 2 ARE IN RESPONSE TO REFTEL B). BAHAMAS-AIR WAS ESTABLISHED IN 1973 WITH THE GCOB OWNING A MAJOR EQUITY INTEREST OF EIGHTY-FOUR PERCENT. GCOB INTEREST IS EXPECTED TO BE WELL OVER NINETY PERCENT BY THE END OF 1974 AS GCOB IS GOING TO INVEST AN ADDITIONAL 1.5 MILLION DOLLARS IN CASH. (NOTE: QUESTION OF EXPECTATION OF ECONOMIC RETURN AS STATED IN REFTEL B IS NOT DIRECTLY APPLICABLE TO BAHAMAS SITUATION WHERE EXISTENCE OF DOMESTIC AIRLINE IS ECONOMIC AND SOCIAL NECESSITY DUE TO ISLAND NATURE OF COUNTRY. INTER-ISLAND AIR TRANSPORT WOULD

SIMPLY NOT EXIST WITHOUT GOVERNMENT INVESTMENT.

2. INDIRECT SUBSIDIES - BAHAMASAIR DOES NOT RECEIVE ANY FORM OF INDIRECT SUBSIDY. THE AIRLINE RUNS ALONG NORMAL BUSINESS LINES PAYING COMMERCIAL INTEREST RATES ON OPEN AND COMPETITIVE MARKET AND THE SAME LANDING FEES AND AIRPORT CHARGES AS AMERICAN CARRIERS. FUEL COSTS ARE HIGHER FOR BAHAMASAIR THAN FOR AMERICAN CARRIERS; IT CURRENTLY PAYS 50 CENTS A GALLON. THERE IS NO INCOME NOR CORPORATE TAX IN THE BAHAMAS.

3. (PARAGRAPHS 3 TO 10 ARE IN RESPONSE TO REFTEL A). BAHAMAS-LIMITED OFFICIAL USE

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AIR HAS NOT AS YET RECEIVED GCOB GUARANTEE OF LOANS FOR EQUIP-

MENT PURCHASES BUT MAY REQUEST SUCH GUARANTEE IN FUTURE AS

NEED TO PURCHASE NEW EQUIPMENT DEVELOPS.

4. ADVERTISING - THE NATIONAL TOURIST ORGANIZATION DOES ADVERTISING FOR BAHAMASAIR AS WELL AS FOR AMERICAN AND THIRD COUNTRY CARRIERS.

5. THERE ARE NO TOURIST GIVE-AWAY PACKAGES. NOTE: BAHAMASAIR IS NOT DOMINANT IN THIS TRAVEL MARKET.

6. MAIL RATES - THE UPU RATES ARE USED BUT EASTERN AIRLINES, WHICH CARRIES SOME MAIL OUT AND ALL OF THE MAIL INTO THE BAHAMAS, RECEIVES THE SAME RATE. BAHAMASAIR WOULD LIKE TO HAVE EXCLUSIVE MAIL CARRIER RIGHTS OUT OF THE COUNTRY, HOWEVER.

7. MILITARY CARGO - NOT APPLICABLE.

8. BAHAMASAIR DOES NOT RECEIVE SERVICES FREE OR BELOW ECONOMIC COST FROM OTHER GOVERNMENTAL AGENCIES NOR DOES GOVERNMENT TRAIN CREWS AT BELOW COST.

9. DOMESTIC TRANSPORTATION SERVICES - BAHAMASAIR DOES NOT PROVIDE DIRECT OR INDIRECT SUBSIDIES FOR DOMESTIC TRANSPORTATION SERVICES BUT WILL BE ASKING FOR GCOB SUBSIDY FOR SEVERAL OF THEIR FAMILY ISLAND (OUT ISLAND) ROUTES OR THEY WILL HAVE TO BE SUSPENDED. IT IS NOT KNOWN WHEN SUBSIDY WILL BE REQUESTED.

10. THERE IS NO GOVERNMENT REIMBURSEMENT TO CARRIER FOR COMMITMENT TO PURCHASE OR OPERATE SPECIFIC AIRCRAFT TYPE NOR IS THERE ANY AIRCRAFT MANUFACTURED IN THE BAHAMAS.
RIDGWAY

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